Nongoma Local Municipality
Annual Financial Statements
for the year ended 30 June 2012

General Information

Executive committee	Honourable Mayor Cllr JB Mavundla Honourable Deputy Mayor Cllr TB Nyoka Honourable Speaker Cllr AN Mchunu Cllr NZ Zungu Cllr SC Mataba Cllr P Zulu Cllr ME Ndwandwe Cllr SM Zulu Cllr WS Zungu
Councillors	Cllr NG Xaba Cllr BJ Ntshangase Cllr M Zungu Cllr EM Masango Cllr NC Ntshangase Cllr TJ Khumalo Cllr ZI Mtshali Cllr TM Dludla Cllr NS Manqele Cllr VM Zulu Cllr NF Zulu Cllr NF Sibiya Cllr MA Gumbi Cllr QM Dlamini Cllr SB Gumbi Cllr GB Nyembe Cllr NM Mthembu Cllr MS Majola Cllr BW Zulu Cllr BD Ngubo Cllr S Khanyi Cllr DL Khoza Cllr JM Ntshangase Cllr V Zulu Cllr MN Sokhela Cllr HS Ngwenya Cllr DV Gabuza Cllr Z Mthethwa Cllr RF Myeza Cllr SJ Zulu Cllr DT Mpanza Cllr M Gcina
Grading of local authority	2
Acting Chief Finance Officer (CFO)	Mr MPE Mthembu
Acting Accounting Officer	Mr MJ Dladla
Registered office	PO Box 84 Nongoma 3950

General Information

Business address	103 Main Road Nongoma 3950
Auditors	Auditor General
Attorneys	M Magigaba Incorporated Attorneys

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The reports and statements set out below comprise the annual financial statements presented to the Auditor General:

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2013 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 5 to 48, which have been prepared on the going concern basis, were approved by the municipality on 31 August 2012 and were signed on its behalf by:

Mr M.J Dladla
Acting Accounting Officer

Nongoma Local Municipality
Annual Financial Statements for the year ended 30 June 2012

Statement of Financial Position

Figures in Rand	Note(s)	2012	2011
Assets			
Current Assets			
Receivables from exchange transactions	6	8 734 424	6 601 084
Other receivables from non-exchange transactions	7	79 805	44 265
VAT receivable	8	1 458 199	1 876 774
Cash and cash equivalents	10	887 582	797 395
		11 160 010	**9 319 518**
Non-Current Assets			
Property, plant and equipment	3	142 666 495	87 903 190
Intangible assets	4	605 323	875 155
		143 271 818	**88 778 345**
Total Assets		**154 431 828**	**98 097 863**
Liabilities			
Current Liabilities			
Finance lease obligation	11	12 124	-
Payables from exchange transactions	15	25 049 982	16 975 936
Unspent conditional grants and receipts	12	20 150	3 243 880
Provisions	13	-	1 288 672
Instalment Sale Agreement	14	240 249	302 926
Bank overdraft	10	6 135 995	-
		31 458 500	**21 811 414**
Non-Current Liabilities			
Finance lease obligation	11	19 645	-
Operating lease liability		133 600	99 664
Provisions	13	4 876 774	3 054 332
Installment Sale Obligation	14	1 196 718	-
		6 226 737	**3 153 996**
Total Liabilities		**37 685 237**	**24 965 410**
Net Assets		**116 746 591**	**73 132 453**
Net Assets			
Accumulated surplus		116 746 591	73 132 453

Statement of Financial Performance

Figures in Rand	Note(s)	2012	Restated 2011
Revenue			
Property rates	16	5 758 045	2 755 780
Service charges	17	1 469 540	1 011 869
Rental of facilities and equipment		139 084	657
Interest income		1 618 874	1 060 211
Fines		95 701	29 770
Licences and permits		723 273	747 688
Government grants & subsidies	18	119 025 070	88 814 947
Recoveries		-	745
Other income		313 196	269 459
Total Revenue		**129 142 783**	**94 691 126**
Expenditure			
Personnel	21	(29 887 750)	(23 942 873)
Remuneration of councillors	22	(8 854 895)	(7 389 857)
Depreciation and amortisation	25	(10 524 123)	(3 187 858)
Finance costs	26	(487 859)	(275 803)
Debt impairment	23	(1 508 066)	(5 989 859)
Collection costs		(2 046 212)	(1 135 967)
Repairs and maintenance		(2 841 575)	(1 979 938)
Contracted services		(3 681 809)	(1 914 387)
Grants and subsidies paid		(31 315)	(67 086)
General Expenses	20	(25 674 582)	(24 697 352)
Total Expenditure		**(85 538 186)**	**(70 580 980)**
Fair value adjustments	24	171 798	628 937
Gain on non-current assets held for sale or disposal groups		-	21 686
Surplus for the year		**43 776 395**	**24 760 769**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	45 139 071	45 139 071
Adjustments		
Correction of errors per Note 30	3 232 613	3 232 613
Balance at 01 July 2010 as restated	**48 371 684**	**48 371 684**
Changes in net assets		
Surplus for the year	24 760 769	24 760 769
Total changes	24 760 769	24 760 769
Opening balance as previously reported	73 132 453	73 132 453
Adjustments		
Prior Year adjustments on Accumulated Surplus account	(162 257)	(162 257)
Balance at 01 July 2011 as restated	**72 970 196**	**72 970 196**
Changes in net assets		
Surplus for the year	43 776 395	43 776 395
Total changes	43 776 395	43 776 395
Balance at 30 June 2012	**116 746 591**	**116 746 591**

Cash Flow Statement

Figures in Rand	Note(s)	2012	Restated 2011
Cash flows from operating activities			
Receipts			
Cash receipts from ratepayers, government and other		122 549 873	89 443 230
Interest income		1 618 874	1 060 211
		124 168 747	90 503 441
Payments			
Cash paid to suppliers and employees		(67 809 112)	(63 681 938)
Finance costs		(487 859)	(275 803)
		(68 296 971)	(63 957 741)
Net cash flows from operating activities	28	**55 871 776**	**26 545 700**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(62 921 137)	(33 966 526)
Proceeds from sale of property, plant and equipment	3	-	89 029
Purchase of other intangible assets	4	-	(844 591)
Net cash flows used on investing activities		**(62 921 137)**	**(34 722 088)**
Cash flows from financing activities			
Movement in installment sale obligation		1 134 041	(460 076)
Prior Year adjustments		(162 257)	-
Finance lease movement		31 769	-
Net cash flows from financing activities		**1 003 553**	**(460 076)**
Net increase/(decrease) in cash and cash equivalents		**(6 045 808)**	**(8 636 464)**
Cash and cash equivalents at the beginning of the year		797 395	9 433 859
Cash and cash equivalents at the end of the year	10	**(5 248 413)**	**797 395**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 5.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Going Concern Assumption

These annual financial statements have been prepared on a going concern basis.

1.2 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Accounting Policies

1.2 Property, plant and equipment (continued)

Item	Average useful life
Land and buildings	
• Buildings	25-30
Infrastructure	
• Roads	10-50
Other property, plant and equipment	
• Machinery and Equipment	4-15
• Furniture and office equipment	7-10
• Computers	5
• Motor vehicles	7

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each year. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.3 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

1.3 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	**Useful life**
Computer software, other	5 years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

1.4 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

1.4 Financial instruments (continued)

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Bank and Cash	Financial asset measured at fair value
Trade and Other receivables	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and other payables	Financial liability measured at fair value
Installment sale obligation	Financial liability measured at amortised cost
Bank Overdraft	Financial liability measured at fair value

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value.

Accounting Policies

1.4 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Accounting Policies

1.4 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.4 Financial instruments (continued)

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.5 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.6 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Accounting Policies

1.6 Impairment of non-cash-generating assets (continued)

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

1.6 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.6 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.7 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Accounting Policies

1.7 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised.

Accounting Policies

1.7 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy and 1.6.

If the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.8 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

1.8 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.9 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

1.9 Revenue from non-exchange transactions (continued)

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.9 Revenue from non-exchange transactions (continued)

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the fair value of the debt forgiven. Where debt is carried at a value other than fair value, the receivable is recognised at the carrying amount.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Accounting Policies

1.9 Revenue from non-exchange transactions (continued)

Services in-kind

Services in-kind are not recognised.

1.10 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.11 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.12 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.13 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
- (a) this Act and the Municipal Systems Act and has not been condoned by the said Acts; or
- (b) the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- (c) the requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.14 Presentation of currency

These annual financial statements are presented in South African Rand.

1.15 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.16 Budget information

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the annual financial statements.

Accounting Policies

1.17 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2012 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after
• GRAP 18: Segment Reporting	01 April 2013
• GRAP 23: Revenue from Non-exchange Transactions	01 April 2012
• GRAP 24: Presentation of Budget Information in the Financial Statements	01 April 2012
• GRAP 103: Heritage Assets	01 April 2012
• GRAP 21: Impairment of non-cash-generating assets	01 April 2012
• GRAP 26: Impairment of cash-generating assets	01 April 2012
• GRAP 25: Employee benefits	01 April 2013
• GRAP 104: Financial Instruments	01 April 2012
• IGRAP 7: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	01 April 2013
• GRAP 106: Transfers of functions between entities not under common control	01 April 2014
• GRAP 107: Mergers	01 April 2014
• GRAP 20: Related parties	01 April 2013

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment

	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and Buildings	59 686 704	(11 431 535)	48 255 169	56 900 554	(6 437 987)	50 462 567
Infrastructure	27 235 767	(2 449 196)	24 786 571	26 943 359	(911 316)	26 032 043
Other property, plant and equipment	10 496 295	(3 569 442)	6 926 853	8 046 142	(2 300 419)	5 745 723
Leased Assets	39 584	(7 291)	32 293	-	-	-
Assets Under Construction	62 665 609	-	62 665 609	5 662 857	-	5 662 857
Total	**160 123 959**	**(17 457 464)**	**142 666 495**	**97 552 912**	**(9 649 722)**	**87 903 190**

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Newly Identified Assets at fair value	Disposals	Transfers	Depreciation	Impairment loss	Total
Land and Buildings	50 462 567	-	-	-	2 786 150	(1 754 616)	(3 238 932)	48 255 169
Infrastructure	26 032 043	169 000	-	-	123 409	(1 511 318)	(26 563)	24 786 571
Other property, plant and equipment	5 745 723	2 628 444	171 798	(190 863)	-	(1 259 996)	(168 253)	6 926 853
Leased Assets	-	39 584	-	-	-	(7 291)	-	32 293
Assets Under Construction	5 662 857	59 912 311	-	-	(2 909 559)	-	-	62 665 609
	87 903 190	**62 749 339**	**171 798**	**(190 863)**	**-**	**(4 533 221)**	**(3 433 748)**	**142 666 495**

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Disposals	Depreciation	Total
Land and Buildings	44 351 519	7 699 858	-	(1 588 810)	50 462 567
Infrastructure	6 065 279	20 587 678	-	(620 914)	26 032 043
Other property, plant and equipment	5 674 947	1 086 104	(89 029)	(926 299)	5 745 723
Assets Under Construction	1 069 971	4 592 886	-	-	5 662 857
	57 161 716	**33 966 526**	**(89 029)**	**(3 136 023)**	**87 903 190**

Figures in Rand	2012	2011

3. Property, plant and equipment (continued)

Pledged as security

Carrying value of assets pledged as security:

	2012	2011
Other Property Plant and Equipment- Motor Vehicle	1 054 295	-

The Installment Sale Agreements is with Absa Bank for the purchase of a motor vehicle at an interest rate of 8.5%. The loan is repayable over 60 months.

4. Intangible assets

	2012			2011		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	891 601	(286 278)	605 323	891 601	(16 446)	875 155

Reconciliation of intangible assets - 2012

	Opening balance	Amortisation	Total
Computer software, other	875 155	(269 832)	605 323

Reconciliation of intangible assets - 2011

	Opening balance	Additions	Amortisation	Total
Computer software, other	39 959	844 591	(9 395)	875 155

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

5. Employee benefit obligations

Defined benefit plan

The Municipality's personnel are members of Natal Joint Municipal Pension retirement funds, including the Superannuation, Retirement and Provident Funds. As the aforementioned funds are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined. Furthermore disclosure of further details such as actuarial assumptions, cannot be attributed to any specific municipality and is of no relevance to users of the municipality's financial statements. As the required disclosure information cannot be obtained the funds are all treated as defined contribution plans. An independent valuer carries out a statutory valuation of the NJMPF on a triennial basis and an interim valuation on an annual basis. The 2012 interim valuations have not yet been released.

Retirement Fund

The interim valuation carried out on the Retirement Fund as at 31 March 2010 reflected:

- The memorandum account in respect of pensioners was fully funded on the discounted cash flow method.

- The Funds liabilities for the contributory members exceeded the value of the assets; it is expected that the shortfall will be funded by a surcharge of 17% of pensionable emoluments by 2015.

As at 31 March 2011, membership of the Retirement Fund decreased by 7.0% over last year; down from 4008 to 3726. The total number of pensioners and dependants increased by 1.29% to 3916. The asset value of the Fund increased from R1.84 billion to R2.06 billion, an increase of 13%. The valuation performed on the Discounted Cash Flow basis, which is based on "best estimate" assumptions of the likely future experience of the Fund disclosed that in respect of the liabilities for service to the valuation date the overall Fund was 84.1% funded. The Fund's financial position has deteriorated from the previous statutory valuation. This is mainly due to the change in the valuation assumptions, which include the following:
- It was found that the pensioner mortality assumption no longer reflects the actual mortality experience of the pensioners and that pensioner longevity is increasing. Thus it was necessary to strengthen the pensioner mortality assumptions.
- Salary increases continue to be almost double the rate expected at the previous statutory valuation
- The allowance for future pension increases was strengthened to better reflect the Fund's pension increase policy

As a result of the revised assumptions it is necessary for the basic employer contribution to be increased from 13,65% to 18,37% (13,65% plus 4,72%) in order to cover the cost of the future service benefits.
In order to fund the deficit, the surcharge (which is payable in addition to the increased basic contribution) should be increased from 17% to 17,5% from 1 July 2012 and the period of payment of the surcharge be extended from 5 to 8 years. The total rate of contribution required from the employer, including the surcharge, is thus 34,22% (18,37% plus 17,5% less 1,65 payable by members) of pensionable salaries payable for a period of 8 years. This would be the case if the Retirement Fund continued in its present form. As mentioned above for the Superannuation Fund, the merger is being implemented. Allowing for the additional benefits to remove historical discrimination when the Superannuation Fund and the Retirement Fund merge, the total rate of contribution required from the employers in the Retirement Fund is 35% from 1st July 2012 and 47% from 1st July 2013 for a period of 7 years. The Fund holds a Memorandum Account in respect to pensioners which as at 31 March 2011 was fully funded.

Superannuation Plan

The interim valuation carried out on the Superannuation Fund as at 31 March 2010 reflected:

- The memorandum account in respect of pensioners was fully funded.

- There was a deficit in respect of active members which is being met by the surcharge of 7% of pensionable salaries, the deficit is expected to be fully funded by 2016.

- The required contribution rate for the future service exceeded the contribution rate payable by 1,69% of pensionable salaries.

As at 31 March 2011, membership decreased by 2.6% from 5620 to 5475. The number of Pensioners and dependant beneficiaries (including children) increased to 3752, an increase of 3.39%.
The assets of the fund have increased from R5.1billion to R5.6billion, an increase of 11%.
The valuation performed on the Discounted Cash Flow method, which is based on "best estimate" assumptions of the likely future experience of the Fund disclosed in respect of the liabilities for service to the valuation date the overall Fund was 90.9% funded. The Fund's financial position has deteriorated from the previous statutory valuation.
This is mainly due to three main factors:

Figures in Rand	2012	2011

5. Employee benefit obligations (continued)

- Investment earnings were 8,1% per annum on the actuarial value of assets which is less than the expected 10% per annum required in the valuation assumptions;
- Salary increases averaged 13,0% per annum over the valuation period which is double the 6,5% per annum expected in the valuation assumptions;
- The change in the valuation assumptions to reflect the actual experience of the Fund.

The high salary increases, in particular, are problematic as this not only increases the deficit in respect of accrued service benefits, and therefore results in an increase in the surcharge required to fund the increased accrued service deficit but also necessitates an increase in the required contribution for future service benefits. Thus it is necessary for the employer's basic contribution to be increased from 18,00% to 21,63% (18,00% plus 3,63%) in order to cover the cost of the future service benefits; and the total rate of contribution required from the employer, including the surcharge, is thus 31,13% (21,63% plus the surcharge of 9,5%) of pensionable salaries payable for a period of 8 years. This would be the case if the Superannuation Fund continued in its present form. However, the merger is being implemented. Allowing for the additional benefits to remove historical discrimination when the Superannuation Fund and the Retirement Fund merge, the total rate of contribution required from the employers in the Superannuation Fund is 35% from 1st July 2012 and 47% from 1st July 2013 for a period of 7 years. The Fund holds a Memorandum Account in respect to pensioners and this account as at 31 March 2011 was fully funded.

Provident Fund

The latest statutory valuation of the Provident Fund (defined contribution) as at 31 March 2009 and the interim valuation as at 31 March 2010 revealed that the fund was in a sound financial position.

The vast majority of new employees are being admitted to the Provident Fund. As at 31 March 2011, membership has increased during the year from 8 842 to 9 541; a 7.91% increase. The assets of the Fund have increased to R1.06 billion; an increase of 26.83%. In order to provide a cushion against volatility in the investment markets, the Fund holds an Investment Reserve Account. The level of this Reserve is reviewed quarterly by the Committee of Management, taking into account market conditions. At the valuation date the Investment Reserve was equal to 7%.

The assets slightly exceeded the liabilities and reserves before the declaration of the April 2011 bonus, and only showed a small deficit if the April 2011 bonus is included in the liabilities. This is not material and no further action is required as this position will automatically be corrected via the smoothed bonus approach of the Fund. The Fund's Actuary is satisfied that the assets of the Fund are appropriate given the liabilities, and that the self-insurance of the death lump sum benefit is appropriate.

Long Term Service Awards Benefits

The municipality has a policy that entitles employees to the long service award. Valuation of this provision was performed by an Actuary

The amounts recognised in the statement of financial position are as follows:

	2012	2011
Carrying value		
Projected Benefit Obligation	1 528 596	1 301 665

The fair value of plan assets includes:

Changes in the present value of the defined benefit obligation are as follows:

	2012	2011
Opening balance	1 301 665	1 066 739
Benefits Paid	(105 606)	(57 145)
Net expense recognised in the statement of financial performance	332 537	292 071
	1 528 596	**1 301 665**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

5. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Service cost	148 682	130 463
Interest cost	106 153	92 189
Actuarial (gains) losses	77 702	69 419
	332 537	**292 071**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	7,77 %	7,00 %
Expected increase in salaries	5,77 %	5,00 %

The above discount rate is based on market yields on government bonds as at the end of June 2012 as published by the Bond Exchange of South Africa. The salary escalation rate is based on underlying market inflation plus an allowance for the fact that on average salary increases generally exceed inflation.

6. Receivables from exchange transactions

Gross amount	14 135 888	10 494 481
Provision for doubtful Debtors	(5 401 464)	(3 893 397)
	8 734 424	**6 601 084**

Reconciliation of provision for impairment of trade receivables

Opening balance	3 893 397	3 324 632
Provision for impairment	1 508 065	568 765
	5 401 462	**3 893 397**

7. Other receivables from non-exchange transactions

Sundry Debtors	337 828	209 147
Unallocated Receipts	(258 023)	(164 882)
	79 805	**44 265**

Reconciliation of provision for impairment of other receivables from non-exchange transactions

Opening balance	200 000	-
Provision for impairment	-	200 000
Total	**200 000**	**200 000**

8. VAT receivable

VAT	1 458 199	1 876 774

9. Consumer debtors

Gross balances		
Rates	6 984 774	5 432 708
Refuse	5 002 673	4 054 258
Other (specify)	2 148 441	1 007 515
	14 135 888	**10 494 481**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

9. Consumer debtors (continued)

Rates		
Current (0 -30 days)	(18 039)	(334 079)
31 - 60 days	(104 472)	158 663
61 - 90 days	164 270	137 537
91 - 120 days	(193 442)	124 232
>121 days	7 136 458	5 346 351
	6 984 775	**5 432 704**

Refuse		
Current (0 -30 days)	168 883	14 524
31 - 60 days	(68 637)	85 212
61 - 90 days	102 835	74 712
91 - 120 days	95 093	72 205
>121 days	4 704 499	3 807 605
	5 002 673	**4 054 258**

Other-Billboards, Service Levies and Grazing Fees		
Current (0 -30 days)	9 043	(48 740)
31 - 60 days	(6 748)	3 228
61 - 90 days	(2 711)	3 128
91 - 120 days	(1 375)	2 782
121 - 365 days	345 429	389 075
	343 638	**349 473**

Figures in Rand	2012	2011

9. Consumer debtors (continued)

Summary of debtors by customer classification

Residential		
Current (0 -30 days)	155 635	(56 299)
31 - 60 days	(18 460)	96 046
61 - 90 days	959	88 670
91 - 120 days	91 530	71 765
>120 days	5 198 936	4 429 768
	5 428 600	**4 629 950**
Business		
Current (0 -30 days)	(47 852)	(120 381)
31 - 60 days	(121 187)	118 655
61 - 90 days	125 633	85 342
91 - 120 days	(361 395)	71 659
>120 days	4 274 894	3 603 419
	3 870 093	**3 758 694**
Government		
Current (0 -30 days)	22 417	(216 355)
31 - 60 days	(12 772)	68 093
61 - 90 days	131 658	65 323
91 - 120 days	165 428	61 993
>120 days	2 255 171	1 067 150
	2 561 902	**1 046 204**
Other		
Current (0 -30 days)	29 687	(79 530)
31 - 60 days	(27 437)	6 616
61 - 90 days	6 141	6 165
91 - 120 days	4 712	5 958
>120 days	457 382	462 717
	470 485	**401 926**

Reconciliation of debt impairment provision (Trade and Other receivables)

Balance at beginning of the year	4 093 398	3 324 631
Contributions to provision	1 508 066	768 765
	5 601 464	**4 093 396**

Balances disclosed are stated prior to the reclassification of debtors with negative balances. Debtors reclassified to creditors is R 1 804 800 (2011: 657 701).

10. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	840	-
Bank balances	275 167	217 619
Short-term deposits	611 575	579 776
Bank overdraft	(6 135 995)	-
	(5 248 413)	**797 395**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

10. Cash and cash equivalents (continued)

	2012	2011
Current assets	887 582	797 395
Current liabilities	(6 135 995)	-
	(5 248 413)	**797 395**

The municipality utilised an overdraft facility during the year. As at 30 June 2012, the municipality had utilised R 6,135,995 of the facility. Overdraft was utilised as a result of the unexpected shortfall in the municipality's cash resources due to grant funds withheld by National Treasury. However this shortfall will be made good by equitable share that will be received in the next financial year.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2012	30 June 2011	30 June 2010	30 June 2012	30 June 2011	30 June 2010
Absa-Cheque Account-4070255864	-	-	297 386	-	-	297 386
FNB-Cheque Account - 53153278884	(6 135 995)	144 262	260 093	(6 135 995)	144 262	260 093
FNB- Provincial Grant Cheque Account - 62203756921	63	363	132 327	63	363	132 327
FNB- Bank Licensing Cheque Account - 62203761962	169 939	39 700	660 851	169 939	39 700	660 851
FNB- MIG Cheque Account - 62202226751	4 685	28 708	200 619	4 685	28 708	200 619
FNB- Call Account - 61315000549	100 480	4 586	7 333 044	100 480	4 586	7 333 044
FNB- Fixed Deposit Account - 74023879677	611 575	579 776	549 538	611 575	579 776	549 538
Total	**(5 249 253)**	**797 395**	**9 433 858**	**(5 249 253)**	**797 395**	**9 433 858**

11. Finance lease obligation

	2012	2011
Minimum lease payments due		
- within one year	21 592	-
- in second to fifth year inclusive	12 524	-
	34 116	-
less: future finance charges	(2 347)	-
Present value of minimum lease payments	**31 769**	-
Present value of minimum lease payments due		
- within one year	12 124	-
- in second to fifth year inclusive	19 645	-
	31 769	-
Non-current liabilities	19 645	-
Current liabilities	12 124	-
	31 769	-

It is municipality policy to lease certain cellphones under finance lease.

The average lease term was 2 years.

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Finance Management Grant (FMG)	-	1 228 000
Municipal Infrastructure Grant (MIG)	-	1 792 202
Neighbourhood Development Partnership Grant (NDPG)	-	223 678
Tourism Grant from Zululand District Municipality	20 150	-
	20 150	**3 243 880**

Movement during the year

Balance at the beginning of the year	3 243 880	10 948 200
Additions during the year	62 713 339	31 691 966
Income recognition during the year	(65 937 069)	(39 396 286)
	20 150	**3 243 880**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

Figures in Rand	2012	2011

13. Provisions

Reconciliation of provisions - 2012

	Opening Balance	Additions	Utilised during the year	Actuarial Gains/Losses	Change in discount factor	Total
Rehabilitation of landfill site	3 041 339	17 913	-	-	288 927	3 348 179
Employee benefit cost	1 301 665	-	(105 608)	332 538	-	1 528 595
	4 343 004	**17 913**	**(105 608)**	**332 538**	**288 927**	**4 876 774**

Reconciliation of provisions - 2011

	Opening Balance	Additions	Utilised during the year	Actuarial Gains/Losses	Change in discount factor	Total
Environmental rehabilitation	2 616 725	160 753	-	-	263 861	3 041 339
Employee benefit cost	1 066 739	-	(57 145)	292 071	-	1 301 665
	3 683 464	**160 753**	**(57 145)**	**292 071**	**263 861**	**4 343 004**

	2012	2011
Non-current liabilities	4 876 774	3 054 332
Current liabilities	-	1 288 672
	4 876 774	**4 343 004**

Environmental rehabilitation provision

The provision for rehabilitation for landfill site represents management's best estimate of the municipality's liability relating to closure and rehabilitation of the site. These costs are expended in the year of closure and typically relate final shaping and compacting works, capping, top soiling and vegetation as well as constructing stormwater control systems. it also includes costs associated with erection of a proper fence (if not yet in place), decommissioning of any infrastructure and erection of end-use related infrastructure.

Rehabilitation costs were calculated based on the following assumptions:

- Site will be classified as communal

- Landfill footprint estimated on site. Coordinates of the footprint then determined through GPS. Area for rehabilitation measured from GPS

- No leachate control is required

- It is assumed that topsoil/ coversoil is available near the site

- As the site is currently not fenced, allowance has been made to fence the site.

- The site currently includes:

    - P&G's at 20% of construction item costs

    - Contingencies at 10% of total construction costs

    - Design Fees at 14% of total costs (construction and contingencies);

- All costs exclude VAT

- The Basic Assessment Report (BAR) process and waste license application requires the same effort for the licensed site. it is further assumed that no specialist studies will be required

Figures in Rand	2012	2011

13. Provisions (continued)

- Post closure monitoring costs not included (assumed to be nominal as the site is communal)

The following factors may influence the actual costs of the environmental processes and construction works:

- Consolidation of various environmental authorisation processes may potentially result in a cost saving by up to 25%. A consolidated process however carries a risk that a complication with a single project component or aspect could result in a delay of the entire application and therefore the approval and implementation of all components.

- Infrastructure and facilities associated with each of the proposed upgrade works may trigger the need for additional authorisation processes or result in the need for an expanded statutory process (e.g. EIA instead of basic Assessment), resulting in a cost variation

- Depending on the final location and the extent of the proposed landfill works, and the local environmental opportunities and constraints, specialist studies may be required.

- Legislative and environmental authorisation requirements (and their administration) are subject to change.

- Project costs were estimated using the current market related prices and are subject to escalation. The project commencement date and overall project duration will therefore have an effect on the final project costs.

- Public participation processes are inherently unpredictable and can be influenced by the level of interest shown by Interested and Affected Parties (I&APs) and the nature of the issues raised. Any Environment Assessment Practitioner undertaking the work will be legally and procedurally required to respond to such interest with due diligence.

Provision for Long Service Award

The municipality has a policy to provide long service awards to employees who are continuously at the employment of the municipality based on the prescribed periodic brackets. The award is the remuneration of the employee as at the date of the award.

The discount rate used is based on market yields on government bonds as at the end of June 2012 as published by the Bond Exchange of South Africa. The salary escalation rate is based on underlying market inflation plus an allowance for the fact that on average salary increases generally exceed inflation. Factored into the valuation are also the demographic and mortality assumptions.

14. Installment Sale Obligation

The Installment Sale Agreements is with Absa Bank for the purchase of a motor vehicle at an interest rate of 8.5%. The loan is repayable over 60 months. The liability is secured against vehicles with a net book value of price of R 1 054 295.

Refer to Appendix A for details.

15. Payables from exchange transactions

Trade payables	11 534 116	1 341 677
Other payables	1 291 449	3 899
Accrued Leave Pay	4 067 478	3 411 227
Deposits received	22 361	6 161
Sundry Creditors	8 134 578	12 212 972
	25 049 982	**16 975 936**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

16. Property rates

Rates received

Gross Rates	6 369 882	4 705 588
Rates Clearance Certificates	240	600
Less: Income forgone	(612 077)	(1 950 408)
	5 758 045	**2 755 780**

Valuations

Residential	84 005 620	84 005 620
Business	89 050 000	89 050 000
State Owned Properties	143 333 000	143 333 000
Agriculture	398 130 000	398 130 000
Special	15 820 000	15 820 000
Public Service Infrastructure	1 242 000	1 242 000
Vacant Land	3 155 000	3 155 000
	734 735 620	**734 735 620**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2008. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on a monthly basis.

The new general valuation will be implemented on 01 July 2013.

17. Service charges

Refuse removal	1 469 540	1 011 869

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

18. Government grants and subsidies

Equitable share	53 088 000	49 418 662
Finance Management Grant (FMG)	1 450 000	1 667 466
Municipal Systems Infrastructure Grant (MSIG)	790 000	897 803
Provincial Grant: Provincialisation of Libraries	233 340	310 966
Tourism Grant	79 850	80 000
Management Assistance Programme	-	200 000
Municipal Infrastructure Grant (MIG)	22 660 202	24 463 728
Neighbourhood Development Partnership Grant (NDPG)	40 723 678	11 776 322
	119 025 070	**88 814 947**

Equitable Share

Current-year receipts	53 088 000	49 418 662
Conditions met - transferred to revenue	(53 088 000)	(49 418 662)
	-	-

Finance Management Grant (FMG)

Balance unspent at beginning of year	1 228 000	1 695 466
Current-year receipts	1 450 000	1 200 000
Conditions met - transferred to revenue	(1 450 000)	(1 667 466)
Surrendered	(1 228 000)	-
	-	**1 228 000**

Provincial Grant: Provincialisation of Libraries

Current-year receipts	223 340	310 966
Conditions met - transferred to revenue	(223 340)	(310 966)
	-	-

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	1 792 202	8 904 930
Current-year receipts	20 868 000	17 351 000
Conditions met - transferred to revenue	(22 660 202)	(24 463 728)
	-	**1 792 202**

Neighbourhood Development Partnership Grant (NDPG)

Balance unspent at beginning of year	223 678	-
Current-year receipts	40 500 000	12 000 000
Conditions met - transferred to revenue	(40 723 678)	(11 776 322)
	-	**223 678**

Management Assistance Programme Grant (MAP)

Current-year receipts	-	200 000
Conditions met - transferred to revenue	-	(200 000)
	-	-

Municipal Systems Improvement Grant (MSIG)

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

18. Government grants and subsidies (continued)

Balance unspent at beginning of year	-	147 803
Current-year receipts	790 000	750 000
Conditions met - transferred to revenue	(790 000)	(897 803)
	-	-

Tourism Grant

Current-year receipts	100 000	80 000
Conditions met - transferred to revenue	(79 850)	(80 000)
	20 150	-

19. Other revenue

Recoveries (Lost Books)	-	745
Sundry Income	313 196	269 459
	313 196	**270 204**

20. General expenses

Advertising	293 233	279 885
Auditors remuneration	1 006 050	1 353 154
Bank charges	170 825	135 762
Cleaning	1 215 521	1 544 386
Consulting and professional fees	7 759 210	10 080 690
Donations	153 797	-
Entertainment	614 777	239 824
Insurance	525 399	395 304
Community development and training	2 980 804	3 644 183
Conferences and seminars	235 554	35 521
Lease rentals on operating lease	1 444 307	730 543
Fuel and oil	558 652	586 676
Postage and courier	18 136	-
Printing and stationery	493 574	521 728
Protective clothing	9 914	-
Software expenses	414 953	113 402
Subscriptions and membership fees	219 365	333 254
Telephone and fax	564 277	422 975
Transport and freight	428 194	317 066
Training	761 568	494 237
Travel - local	2 342 212	862 414
Electricity	310 658	329 949
Refuse	1 007 719	-
Uniforms	296 601	504 800
Consumables	39 157	227 003
Other Expenses	1 792 212	1 383 842
Restructuring	17 913	160 754
	25 674 582	**24 697 352**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

21. Employee related costs

Basic	18 410 868	16 045 533
Bonus	1 033 913	-
Medical aid - company contributions	651 695	-
UIF	214 191	-
SDL	293 456	-
Leave pay provision charge	1 341 265	986 617
Provision for Long term Service Award	3 865 275	3 955 845
Travel, motor car, accommodation, subsistence and other allowances	2 433 677	1 702 818
Overtime payments	1 618 837	1 252 060
Other Benefits	24 573	-
	29 887 750	**23 942 873**

Remuneration of Municipal Manager

Annual Remuneration	664 954	593 164
Allowances	135 697	163 681
Contributions to UIF, Medical and Pension Funds	180 486	134 789
Other	23 778	-
	1 004 915	**891 634**

Remuneration of the Chief Finance Officer

The position of Chief Financial Officer was performed by use of a consulting service. The consultant is not registered on Nongoma's payroll. The cost amounting to R 825 673 (2011: R 821 315) related to this service has therefore been included under Professional fees. Refer to note 20

Remuneration of Executive Director: Corporate Services

Annual Remuneration	493 796	-
Allowances	153 437	-
Contributions to UIF, Medical and Pension Funds	8 085	-
Other	37 215	-
	692 533	**-**

Executive Director: Corporate Services was appointed as an Acting Municipal Manager with effect from 11 January 2011.

Remuneration of Director: Technical Services

Annual Remuneration	529 550	511 413
Allowances	65 855	81 743
Contributions to UIF, Medical and Pension Funds	156 306	136 697
Other	18 206	-
	769 917	**729 853**

Remuneration of Executive Director: Community Services

Annual Remuneration	401 697	511 413
Allowances	74 630	95 894
Contributions to UIF, Medical and Pension Funds	91 252	125 370
Other	8 343	-
	575 922	**732 677**

Remuneration of Executive Director: Planning Services

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

21. Employee related costs (continued)

Annual Remuneration	271 253	511 413
Allowances	51 112	93 321
Contributions to UIF, Medical and Pension Funds	83 982	145 667
	406 347	**750 401**

Remuneration of Executive Director: Protection Services

Annual Remuneration	529 550	511 413
Allowances	114 000	136 679
Contributions to UIF, Medical and Pension Funds	46 949	83 617
Other	7 282	-
	697 781	**731 709**

22. Remuneration of councillors

Mayor's Allowance	280 570	348 060
Deputy Mayor's Allowance	224 181	19 625
Executive Committee Allowances	1 038 712	1 318 590
Speaker's Allowance	433 855	523 950
Councillors	6 022 112	4 683 603
Medical Aid and pension	855 465	496 029
	8 854 895	**7 389 857**

In-kind benefits

Speaker is on full-time basis. The Honourable Mayor and Deputy Mayor are full-time with effect from 1 July 2012. The Mayor, Deputy Mayor and Speaker are each provided with an office and secretarial support at the cost of the Council.

The Honourable Mayor has three full-time bodyguards and three full-time drivers. Speaker has two full-time bodyguards.

23. Debt impairment

Contributions to debt impairment provision	1 508 066	5 989 859

24. Fair value adjustments

Investment property (Fair value model)	171 798	628 937

25. Depreciation and amortisation

Property, plant and equipment	10 254 292	3 178 463
Intangible assets	269 831	9 395
	10 524 123	**3 187 858**

26. Finance costs

Interest on bank overdraft	162 582	11 943
Unwinding of Interest	325 277	263 860
	487 859	**275 803**

27. Auditors' remuneration

Fees	1 006 050	1 353 154

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

28. Cash generated from operations

Surplus	43 776 395	24 760 769
Adjustments for:		
Depreciation, impairment and amortisation	8 236 801	3 187 858
(Gain)/ Loss on disposal of non current assets	190 863	(21 686)
Fair value adjustments	-	(628 937)
Movement in provision for doubtful debtors	1 508 067	5 989 859
Movements in operating lease assets and accruals	33 936	94 470
Actuarial Gains and Losses	332 538	292 071
Payments for long service awards	(105 608)	(57 145)
Contribution to provisions	17 913	160 753
Unwinding of interest on provisions	288 927	263 861
Changes in working capital:		
Other receivables from non-exchange transactions	(35 540)	608 187
Consumer debtors	(3 641 407)	(503 079)
Payables from exchange transactions	8 074 046	1 979 810
VAT	418 575	(1 876 771)
Unspent conditional grants and receipts	(3 223 730)	(7 704 320)
	55 871 776	**26 545 700**

29. Commitments

Authorised capital expenditure

Authorised and contracted for		
• MIG Projects	25 314 000	1 792 202
• Bypass Road	20 554 000	-
• R66 Road	-	18 754 847
• Bus and Taxi Rank	-	23 410 558
• Testing Ground	6 000 000	-
• Other Property, plant and Equipment	5 500 650	-
	57 368 650	**43 957 607**

Not yet contracted for and authorised by accounting officer		
• MIG Projects	-	20 868 000
• NDPG Projects	-	10 000 000
• Testing Ground	-	2 500 000
• Other Property, Plant and Equipment items	-	4 129 700
	-	**37 497 700**

This committed expenditure relates to property and will be financed by grants, available bank facilities, retained surpluses, existing cash resources.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	1 006 449	326 347
- in second to fifth year inclusive	2 257 749	622 811
	3 264 198	**949 158**

Operating lease payments represent rentals payable by the municipality for certain of its equipment and buildings. Lease terms and rentals vary depending on each contract. No contingent rent is payable.

30. Prior period errors

1. Provision for Post Retirement Benefit

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

30. Prior period errors (continued)

Provision for post retirement benefit was done in the previous years. The municipality does not have obligation with regards thereto.

2. Operating Leases

The municipality had not done the calculation to straight line operating leases in previous years.

3. Provision for Long Term Service Awards

The municipality has not provided for an obligation in respect of long term service awards in the prior years.

4. Property Rentals

The balance owed from property rentals was not accrued for in the previous year in respect of property leased by the municipality on behalf of its employee. It was subsequently discovered and therefore adjusted for.

5. Property, Plant and Equipment

Depreciation was incorrectly calculated in the prior year. The error has been adjusted for.

6. Intangible Assets

Amortisation was incorrectly calculated in the prior year. The error has been adjusted for.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Defined Plan benefit	-	2 500 000
Operating lease accrual	-	(99 694)
Provision for long term service award	-	(1 301 665)
Creditors Suspense	-	(69 398)
Opening Accumulated Surplus or Deficit	-	(3 232 613)
Accumulated Depreciation	-	1 374 327
Accumulated Amortisation	-	339 356
Property, Plant and Equipment- Cost	-	1 006 448
Statement of Financial Performance		
Actuarial Gains/Losses	-	564 071
Rental	-	37 325
Property Rentals	-	69 398
Depreciation	-	(863 653)
Amortisation	-	(323 932)

Notes to the Annual Financial Statements

Figures in Rand		2012	2011

31. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings in the form of Installment sale obligation as disclosed in note 14 and 11 cash and cash equivalents disclosed in note 10, and equity as disclosed in the statement of financial position.

Consistent with others in the industry, the municipality monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The gearing ratio at 2012 and 2011 respectively were as follows:

		2012	2011
Total borrowings			
Finance lease obligation	11	31 769	-
Installment Sale Obligation	14	1 436 967	302 926
		1 468 736	**302 926**
Less: Cash and cash equivalents	10	(5 248 413)	797 394
Net debt		6 717 149	(494 468)
Total equity		116 746 591	69 383 050
Total capital		**123 463 740**	**68 888 582**

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (fair value interest rate risk), liquidity risk and credit risk .

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. During 2012 and 2011, the municipality's borrowings were denominated in the Rand.

Fair value interest rate risk

Financial instrument	**Current interest rate**	**Due in less than a year**	**Due in one to two years**	**Due in two to three years**	**Due in three to four years**	**Due after five years**
Fixed interest loan from Absa Bank	8,50 %	240 249	1 196 718	-	-	-

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

31. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. Sales to retail customers are settled in cash or using major credit cards.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2012	2011
Cash Deposits	611 575	579 776
Bank overdraft	(6 135 995)	-
Other Bank Balances	275 166	217 618
Other Cash Equivalents	840	-
Consumer Debtors (Net of provisions)	8 734 424	6 601 083

32. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

33. Unauthorised expenditure

Unauthorised expenditure	12 728 824	7 239 558

Amounts overspent include Salaries, wages and allowances, Finance Costs, Depreciation, Debt impairment, Collection costs, contracted services.

34. Irregular expenditure

Opening balance	9 697 461	-
Add: Irregular Expenditure - current year	38 881 177	9 697 461
Less: Amounts condoned	(23 696 026)	-
	24 882 612	**9 697 461**

Analysis of expenditure awaiting condonation per age classification

Current year	15 185 151	9 697 461
Prior years	9 697 461	-
	24 882 612	**9 697 461**

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Non Compliance with the municipality's SCM policy	None	38 881 177

Details of irregular expenditure not recoverable (not condoned)

Non Compliance with SCM Regulations	13 269 259

35. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance has been presented in Appendix E(1).

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

36. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year membership fee	138 853	126 230
Amount paid - current year	(138 853)	(126 230)
	-	-

The municipality is the member of South African Local Government Association (SALGA) in respect of which annual membership fees are paid.

Audit fees

Opening balance	1 437	-
Current year audit fee including VAT and interest charged	1 148 434	1 056 679
Amount paid - current year	(1 013 161)	(1 055 242)
Amount paid - previous years	(1 437)	-
	135 273	**1 437**

PAYE and UIF

Current year amount raised	4 483 733	3 109 664
Amount paid - current year	(4 078 437)	(3 109 664)
	405 296	**-**

Pension and Medical Aid Deductions

Opening balance	252 403	2 005 836
Current year amount raised	7 646 942	6 720 661
Amount paid - current year	(6 927 696)	(6 720 661)
Amount paid - previous years	(252 403)	(1 753 433)
	719 246	**252 403**

VAT

VAT receivable	1 458 199	1 876 774

The municipality is on the payment basis of VAT. VAT output payables and VAT input receivables are shown in note 8.

All VAT returns have been submitted by the due date throughout the year.

NONGOMA MUNICIPALITY

SCHEDULE OF EXTERNAL LOANS AND INTERNAL ADVANCES
FOR THE YEAR ENDED 30 JUNE 2012

	Interest Rate	Repayment Date	Balance at 01/07/2011	Received During the Year	Redeemed During the Year	Adjustments	Balance at 30/6/2012
			R	R	R	R	R
OTHER LOANS							
Absa bank- Isuzu acc no:81416201		30/09/2016		1 630 532.00	(193 565)		1 436 967
Wesbank - Motor Grader Deal No FBK047/0004H		11/02/2011	223 869		(218 057)	(5 451)	
Wesbank - Nissan X 2 Deal No FBK047/0002K		11/02/2011	22 891		(22 334)	(2 012)	
Wesbank - RAV 4 Deal No FBK047/0003J		11/02/2011	56 166		(54 798)	(1 368)	
			302 926	**1 630 532**	**(488 754)**	**(8 831)**	**1 435 873**

Appendix B

Asset class	Class code	Cost: Balance 30 June 2010 as per AFS	Reclassification due to class corrections	Revised balance as at 30 June 2010	Additions 2011	Disposal	Balance 30 June 2011	Movable additions	Infra additions	AUC released	Newly identified assets at fair value	Disposals	Balance 30 June 2012
Land	1*	5 153 974.70	-	5 153 974.70	-	-	5 153 974.70	-	-	-	-	-	5 153 974.70
Buildings													
Dwellings (buildings)	21*	9 011 026.00	-347 476.00	8 663 550.00	-	-	8 663 550.00	-	-	-	-	-	8 663 550.00
Non residential dwellings land	22*	35 212 763.63	170 407.35	35 383 170.98	7 699 857.81	-	43 083 028.79	-	-	2 786 150.60	-	-	45 869 179.39
Infrastructure													
Solid waste	36*	-	16 000.00	16 000.00	36 611.17	-	52 611.17	169 000.00	-	-	-	-	221 611.17
Roads	32*	6 308 573.08	31 108.00	6 339 681.08	20 551 066.70	-	26 890 747.78	-	-	123 408.19	-	-	27 014 155.97
Other assets													
Furniture	42*	1 140 153.18	-362 769.43	777 383.75	235 178.29	-	1 012 562.04	363 202.42	-	-	161 203.84	-	1 536 968.30
Transport	44*	3 602 919.32	830 079.41	4 432 998.73	452 705.36	-130 554.80	4 755 149.30	2 050 647.82	-	-	-	-339 090.85	6 466 706.27
Machinery	41*	1 017 112.47	-299 868.42	717 244.05	182 152.68	-	899 396.73	19 373.75	-	-	6 535.55	-	925 306.03
Computer equipment	43*	975 405.00	-37 480.93	937 924.07	216 067.90	-9 017.40	1 144 974.57	195 220.08	-	-	4 258.82	-10 999.00	1 333 454.47
Cemeteries	39*	234 059.51	-	234 059.51	-	-	234 059.51	-	-	-	-	-	234 059.51
Assets under construction													
Buildings	91001	1 069 971.07	-	1 069 971.07	3 031 600.36	-	4 101 571.43	-	29 873 878.08	-2 786 150.60	-	-	31 189 298.91
Roads	91002	-	-	-	1 561 286.30	-	1 561 286.30	-	30 108 792.70	-123 408.19	-	-	31 546 670.81
		63 725 957.96	-0.00	63 725 957.96	33 966 526.56	-139 572.20	97 552 912.32	2 797 444.07	59 982 670.78	0.00	171 798.21	-350 089.85	160 154 733.63

Depreciation

Balance 30 June 2010 as per AFS	Reclassification due to class corrections	Revised balance as at 30 June 2010 after reclassification	Prior year adjustment on backlog depreciation	Revised Balance 30 June 2010	Additions 2011	Disposal	Balance 30 June 2011	Additions 2012	Disposal	Balance 30 June 2012
-	-	-	-	-	-	-	-	-	-	-
600 735.06	-23 165.06	577 570.00	-395.33	577 174.67	288 587.34	-	865 762.01	289 377.99	-	1 155 140.00
3 227 567.97	207 015.60	3 434 583.57	-158 095.87	3 276 487.70	1 300 223.17	-	4 576 710.87	1 465 237.89	-	6 041 948.76
-	1 066.66	1 066.66	-485.24	581.42	423.36	-	1 004.78	958.53	-	1 963.31
248 049.99	2 073.86	250 123.85	28 763.91	178 887.76	520 490.36	-	899 378.12	1 510 359.23	-	2 409 737.35
575 285.74	-221 585.96	353 699.78	-161 358.99	192 340.79	123 159.09	-	315 499.88	176 237.15	-	491 737.03
1 541 295.16	388 219.44	1 929 514.90	-1 047 488.05	882 026.55	526 113.30	-44 906.22	1 363 233.63	740 655.84	-157 901.85	1 945 987.62
477 069.94	-333 245.55	143 824.39	-14 691.20	129 133.19	73 415.50	-	202 548.69	88 016.37	-	290 565.06
339 482.00	-20 378.99	319 103.01	-163 326.20	155 776.81	195 814.10	-5 630.50	345 954.41	247 270.28	-1 325.00	591 899.69
65 429.78	-	65 429.78	-44.78	65 385.00	7 796.64	-	73 161.64	7 818.00	-	80 999.64
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
7 074 915.64	-0.00	7 074 915.64	-1 517 121.75	5 557 793.89	3 136 022.86	-50 542.72	8 643 274.03	4 525 931.36	-159 226.85	13 009 978.46

Impairment

Balance 1 July 2009	Adjustment 2010	Balance 30 June 2010	Adjustment 2011	Balance 30 June 2011	Adjustment 2012	Disposal	Balance 30 June 2012	Net book value
-	-	-	-	-	-	-	-	5 153 974,70
-	-	-	-	-	-	-	-	7 508 018,00
-	995 514,55	995 514,55	-	995 514,55	3 238 932,33	-	4 234 446,67	35 592 783,96
-	10 933,34	10 933,34	-	10 933,34	26 561,73	-	37 495,07	102 152,70
-	-	-	-	-	-	-	-	24 604 438,62
-	-	-	-	-	25 474,98	-	25 474,98	1 019 756,29
-	-	-	-	-	98 772,70	-	98 772,70	4 421 945,95
-	-	-	-	-	19 723,05	-	19 723,05	634 817,92
-	-	-	-	-	24 282,13	-	24 282,13	317 272,86
-	-	-	-	-	-	-	-	153 059,67
-	-	-	-	-	-	-	-	31 389 298,91
-	-	-	-	-	-	-	-	31 546 870,81
-	1 006 447,89	1 006 447,89	-	1 006 447,89	3 433 746,72	-	4 440 194,60	142 704 562,47

Nongoma Local Municipality

APPENDIX C

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

as at 30 June 2012

	Cost / Revaluation						Accumulated Depreciation				Impairment				
	Opening Balance	Additions	Assets Under Construction Released	Assets Newly Identified	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Adjustment	Disposal	Closing Balance	Carrying value
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Administration	308 803	395 504		12 012		716 119	64 350	87 338		151 688		1 196		1 196	563 235
Corporate Services	18 824	2 051 481		98 060		2 168 365	6 983	178 369		185 332		40		40	1 982 994
Development and Planning	1 211 195	25 910 370	(1 746 618)			25 374 947	228 652	53 545		282 196		10 266		10 266	25 082 485
Finance	31 646 131	33 967 193	(582 280)	5 028		65 036 072	524 316	1 313 917		1 838 233		3 981 791		3 981 791	59 216 047
Human Resources	1 607 564	32 831		794	(166 757)	1 474 433	371 659	192 733	(73 855)	490 536		102 907		102 907	880 990
Libraries	251 033			105		251 138	80 693	38 183		118 856		760		760	131 522
Registry	37 287					37 287	8 502	6 371		14 873		419		419	21 995
Speaker	31 329	28 740				60 069	10 040	5 652		15 692		-		-	44 377
Technical Services	58 466 064	172 791	(580 662)			58 058 193	6 074 274	2 118 153		8 192 427	1 006 446	(673 886)		332 560	49 533 206
Tourism	117 015	32 499				149 514	50 015	20 690		70 704		6 453		5 453	72.357
Traffic	3 857 868	9 705		65 799	(183 333)	3 750 039	1 223 809	511 003	(85 371)	1 649 441		3 804		3 804	2 096 795
Other		169 000	2 909 559			3 078 559				-				-	3 078 559
Total	97 552 912	62 780 115	0	171 798	(350 090)	160 154 736	8 643 274	4 525 931	(159 227)	13 009 978	1 006 446	3 433 747	-	4 440 195	142 704 563

Nongoma Local Municipality

APPENDIX D

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2012

2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus / (Deficit) R		2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus / (Deficit) R
	23 633 892	(23 633 692)	Corporate Services		14 400 979	(14 400 979)
750 460	4 408 954	(3 658 493)	Planning & development	5 357	5 532 790	(5 527 433)
745	5 598 678	(5 597 933)	Community Services	167 975	6 292 387	(6 124 413)
		-	Council		13 824 212	(13 824 212)
54 171 287	22 224 720	31 946 568	Finance	63 081 997	19 977 737	43 104 260
29 770	736 906	(707 136)	Traffic and Security	184 205	3.563 907	(3 379 702)
38 805 547.00	1 604 348	37 201 198	Roads	63 993 120	11 933 262	52 059 858
	8 187 124	(8 187 124)	Tourism		878 993	(878 993)
1 011 868.60	84 486	927 383	Refuse	1 469 540	8 721 530	(7 251 990)
	3 530 003	(3 530 003)	Management	-	-	-
94 769 679	70 008 911	24 760 768		128 902 194	85 125 797	43 776 397
			Less: Inter-Department Charges			
94 769 679	70 008 911	24 760 768	Total	128 902 194	85 125 797	43 776 397

Nongoma Local Municipality

APPENDIX E

STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION

as at 30 June 2012

Description	Original Budget	Budget Adjustments (i.t.o. s28 & s31 Of The MFMA)	Virement (i.t.o. Council Approved By-law)	Final Budget	Actual Income	Unauthorised Expenditure	Variance	Actual Outcome As % Of Final Budget	Actual Outcome As % Of Original Budget
	1	2	3	4	5	6	7	800.00%	900.00%
	R	R	R	R	R	R	R	%	%
Financial Performance									
Property Rates	4 192 537,00	1 600 971,00		5 793 508,00	5 758 045.00	-	-35 463,00	-0.61%	137,34%
Service Charges	1 004 230.00	480 305.00		1 484 535,00	1 469 540.00	-	-14 995,00	-1.01%	146,34%
Rental of facilities and equipment	153 700.00			153 700,00	139 084,00	-	-14 616.00	-9.51%	90,49%
Interest Income	625 576.00			625 578.00	1 618 874.00	-	993 298.00	158.78%	258.78%
Fines	30 920.00	46 000,00		76 920.00	95 701.00	-	18 781.00	24.42%	309.51%
Licences and permits	2 765 000.00	-2 010 000.00		755 000,00	723 273.00	-	-31 727.00	-4.20%	26.16%
Government grants and subsidies	66 026 000.00	74 000,00		66 100 000.00	55 641 190.54	-	-10 458 809,46	-15.82%	84.27%
Other Own Revenue	937 912,00	869 056.00		1 806 968.00	313 196.00	-	-1 493 772,00	-82.67%	33.39%
Total Revenue (Excluding Capital Transfers & Contributions)	75 735 875.00	1 060 332.00	-	76 796 207,00	65 758 903.54	-	-11 037 303,46	89.37%	1086.28%
Employee Costs	26 761 546.00	-686 551.00		26 074 995.00	29 887 750.00	3 812 755,00	3 812 755,00	14.62%	111.68%
Remuneration Of Councillors	11 146 833.00			11 146 833,00	8 854 895,00	-	-2 291 938,00	-20.56%	79.44%
Debt Impairment	269 872.00			269 872.00	1 508 066,00	1 238 194.00	1 238 194,00	458.81%	558.81%
Depreciation, Amortisation & Asset Impairment	3 129 234,00			3 129 234,00	10 524 123,00	7 394 889.00	7 394 889.00	236.32%	336.32%
Finance Charges	1 190 162,00	-1 112 000,00		78 162.00	487 859,00	409 697,00	409 697.00	524.16%	40.99%
Contracted Services	3 757 000.00	336 000.00		4 093 000.00	3 681 809.00	-	-411 191.00	-10.05%	98.00%
Other Expenditures	30 983 942,00	4 940 504,00		35 924 446.00	30 593 684,00	-	-5 330 762,00	-14.84%	98.74%
Total Expenditure	77 238 589.00	3 477 953.00	-	80 716 542.00	85 538 186,00	12 855 535,00	4 821 644,00	1188.46%	1323.97%
Surplus/(Deficit)	-1 502 714.00	-2 417 621,00	-	-3 920 335.00	-19 779 282.46	-12 855 535,00	-15 858 947.46	-1119.09%	-237.69%
Transfers Recognised - Capital	32 164 961.00	31 502 202.00		63 867 163.00	63 383 879.46	-	-283 283.54	-0.44%	197.06%
Contributions Recognised - Capital & Contributed Assets				-	171 798.00	-	171 798,00	0.00%	0.00%
Surplus/(Deficit) After Capital Transfers & Contributions	30 662 247.00	29 084 581,00	-	59 748 828.00	43 776 395,00	-12 855 535,00	-15 970 433.00	-1119.54%	-40.63%
Share Of Surplus/(Deficit) Of Associate				-	-	-	-	0.00%	0.00%
Surplus/(Deficit For The Year	30 662 247.00	29 084 581,00	-	59 746 828.00	43 776 395,00	-12 855 535.00	-15 970 433.00	-1119.54%	-40.63%
Capital Expenditure & Funds Sources									
Capital Expenditure									
Transfers Recognised - Capital	32 164 961.00	30 995 241.00		63 160 202.00	55 599 894.26	-7 560 307.74	-7 560 307.74	-11.97%	172.86%
Public Contributions & Donations	-			-		-	-	0.00%	0.00%
Borrowing	17 890 000.00	-16 641 000,00		1 159 000.00	1 159 958,00	958.00	958,00	0.08%	6.52%
Internally Generated Funds	1 869 500,00	4 390 000,00		6 259 500,00	6 020 261.74	-239 238.26	-239 238.26	-3.82%	322.03%
Total Sources Of Capital Funds	51 834 461.00	18 744 241.00	-	70 578 702.00	62 780 114.00	-7 798 588.00	-7 798 588.00	-15.71%	501.40%
Cash flows									
Net Cash From (Used) Operating	36 228 768.00	24 766 714.00		60 995 482.00	55 871 776.00	-5 123 706.00	-5 123 706.00	-8.40%	154.22%
Net Cash From (Used) Investing	-47 734 967.00	-22 843 735.00		-70 578 702.00	-62 921 137.00	7 657 565,00	7 657 565,00	-10.85%	131.81%
Net Cash From (Used) Financing	12 545 416,00	-11 503 108.00		1 042 307.00	1 003 553.00	-38 754.00	-38 754.00	-3.72%	8.00%
Cash/Cash Equivalents At The Beginning of the Year				797 395.00	797 395.00	-	-	0.00%	0.00%
Cash/Cash Equivalents At The Year End	1 039 217,00	-9 580 130,00	-	-7 743 818.00	-5 248 413.00	2 495 105.00	2 495 105.00	-22.87%	294.03%